

## Solutions for Public Managers

# Using Human Capital Metrics To Develop Strategic Objectives: Putting The Cart Before The Horse

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Across government agencies today, human capital metrics are being reported and strategy is being developed; but while these processes are occurring concurrently, they rarely intersect. In working with federal agency clients, we have found that very few organizations are using human capital metrics to develop strategic objectives and set goals to achieve those objectives. Instead, agencies are setting their objectives, and then using human capital metrics as one tool to track their progress. This seems to put the cart before the horse.

### The Problem

In our experience, we have found that many government agencies think it is important to use metrics in decision-making, yet they have not put them into action. In addition, although human resources (HR) directors feel human capital metrics are important, they are not using them to develop and support recommendations to senior management. Rather, human capital metrics are being used to report the operational status, and are rarely used in a methodical and effective way to develop strategy.

The goal of this paper is to: provide an overview of why metrics are not being used in the planning process and how to overcome the causes; and share a potential model that shows how to incorporate metrics into an organization's decision-making and strategy-building process, ultimately demonstrating the value gained when an organization reverses the order in which metrics are used.

### Obstacles

Although most human capital professionals agree that using human capital metrics in decision-making is critical, few find the time to make it a priority. Why do we acknowledge that reviewing/relying on data to make effective decisions is critical, yet fail to implement key metrics?

### Day-to-day Operational Demands Trump Everything Else

Too often, the day-to-day operational matters take precedence over long-term goals to make the changes needed to become more efficient. Often, HR professionals are consumed with resolving the latest crisis and are constantly working in a reactive or defensive posture rather than in a pro-active or offensive mode.

Although "use metrics better" is on the to-do list, putting out the day-to-day fires takes precedence and makes it virtually impossible to check "metrics" off the list. Transitioning away from a reactive to a pro-active mode is difficult and takes time, but can be achieved.

### Senior Leadership and Management Don't Know What They Don't Know

Today, many government agencies are using human capital metrics primarily for informational purposes, or to fulfill mandated reporting requirements. One reason that agencies are not using human capital metrics to develop strategy may be that senior leaders are not aware of the capabilities available to them. If senior leaders were more aware of what human capital-related data was available and how it could be captured and presented, they

might be more inclined to use this tool in the planning process.

### Limited Resources and Personnel Payroll Systems That are Not User-Friendly

Many organizations are working with out-of-date data systems and software. They often lack the resources to fund newer, more efficient and effective systems to support HR programs. It is easy for organizations to get trapped working for technology, rather harnessing technology to work for them. Often, the payroll system is not designed to support timely, quantitative reporting or does not provide everything the organization needs. In those cases, the organization must go to multiple sources to find the needed data. Being forced to go through multiple sources for information is burdensome and inefficient, and is, in many cases, one reason organizations do not use HR metrics consistently or effectively.

## Why do we acknowledge that reviewing/relying on data to make effective decisions is critical, yet fail to implement key metrics?

### Lack of Collaboration Between IT and HR

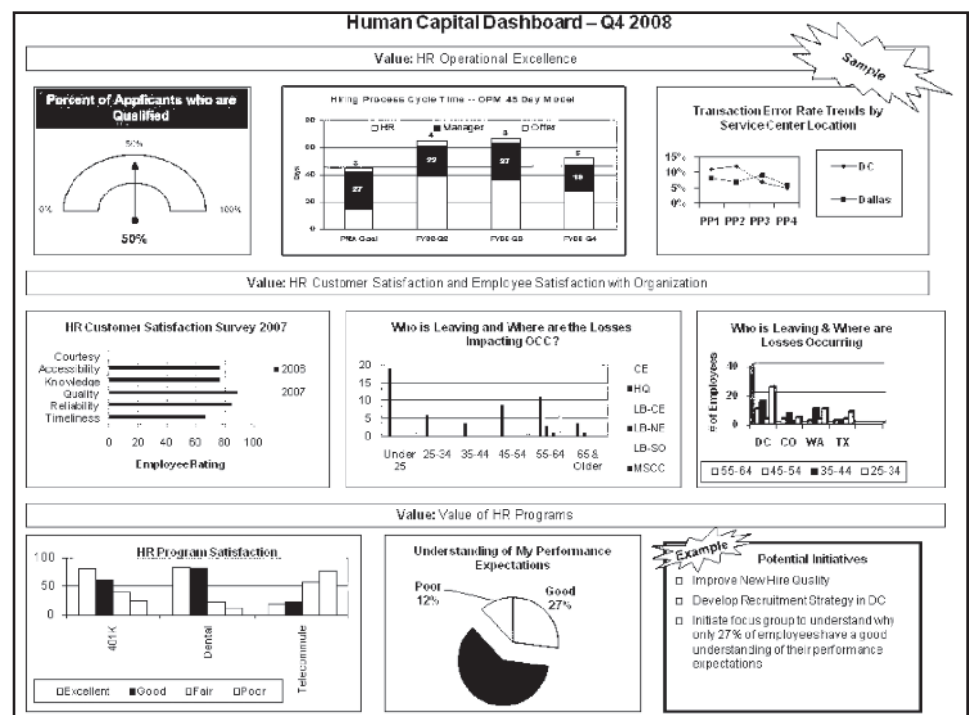
In many organizations, the Information Technology (IT) staff and the HR staff work independently of each other and rarely interact. The IT staff has the knowledge of all the data available that could be accessed, and has the ability to organize the data in a variety of ways. But the IT staff is often not aware of what data would be most beneficial to the HR staff for decision making. Conversely, the HR staff is not always aware of all the data that is available to them in the organization's various systems, and often fails to clearly articulate its data and information technology requirements.

### Getting Started

How do we chart a course from knowing that we need to take action to actually doing it? Where and how do we start to address these concerns?

- *Don't Let the Day-to-day Operational Demands Trump Everything Else.* One approach is for the organization to avoid getting caught up in all the reasons why it can't capture, track, report, or use data effectively, which prevents it from even beginning. Instead, focus on what can be done. Take the first step and find out what data is being captured. To do this, bring key staff members together to identify all the data elements that would provide beneficial information to improve the organization's efficiency and effectiveness.

We're aware of an organization that has chosen this approach by implementing key HR metrics as a basis for developing strategy, instead of reporting human capital metrics solely for operational



awareness. This federal agency is using this approach to continually seek improvement in the effectiveness of the HR staff and to develop the organization's priorities. It has elevated the importance of making more effective decisions by identifying key HR metrics it will use to improve its customer satisfaction, employee engagement, operational effectiveness, and overall value to the organization. Although the organization's efforts have just begun, using metrics more effectively has already allowed the organization to identify improvement areas. Metrics have also allowed the agency to adjust priorities in planning sessions to improve the effectiveness of the HR staff as well as the organization.

- *Increase Awareness by Briefing Senior Leadership and Management on Key HR Metrics Regularly.* What does the HR staff need to do to gain leadership support? It needs to be assertive in selling the value of HR metrics to senior leadership. It needs to showcase and sell this available and valuable data. One of our federal agency clients is using this approach, and has started capturing and reporting key HR metrics to brief the senior leadership quarterly. The HR department in that agency is transitioning and exposing senior leaders to use key HR metrics to develop strategy. It has found that Human Capital metrics can be a valuable tool for senior executives to establish their strategic goals. Although this agency has only recently begun using a dashboard to showcase key human capital metrics, the data has already initiated further inquiry into areas that need attention or improvement to increase the organization's efficiency.
- *Focus on what the Personnel/Payroll System Can do for you.* Make the "not-an-ideal" system work better for you. Start building a strong coalition between the HR and IT. Each group plays a significant role in how effectively an organization can use metrics, so start tapping into them. There is plenty of data being captured but not being used to its full potential. Valuable data exists. You can

glean important information with the help of staff with the expertise to translate the data into user-friendly formats.

HR organizations also can raise the value they provide by being proactive and sharing valuable information with senior leaders who can use it to develop strategic goals. The information distilled from the data could change the course of the human capital strategy to a more effective one. When you provide the right metrics and the analysis of the results, it will increase the HR's organizational value. This will drive the transition of HR from task manager to strategic advisor.

- *Implement a IT and HR Workgroup to Combine Resources.* One of the first steps should be to set up an IT/HR working group to facilitate inter-organizational dialogue. An IT/HR working group can be the foundation for exploiting key human capital metrics throughout the organization. Once the desired key human capital metrics are identified, putting a plan in place to manage them is crucial. While this is not the only solution, it is a step toward putting the horse back in front of the cart.

### Putting the Horse Before the Cart

Instead of an organization using metrics merely to track progress toward a strategic objective, we encourage more organizations to use metrics to analyze data during the strategic planning process, especially when setting strategic priorities. Making such a fundamental shift in the way an organization uses metrics will result in significantly different organizational strategies.

The example dashboard on this page includes a sample of potential key HR metrics that could be used to answer three fundamental questions:

- How efficiently and effectively does HR deliver services (operational excellence)?
- Is HR delivering desired results and meeting customer expectations (employee engagement and customer satisfaction)?; and

# Broken Government

## Nonpartisan Center for Public Integrity Releases a Comprehensive Assessment of Executive Branch Failures

Washington, DC—The eight-year tenure of the Bush administration was marked by more than 125 systematic failures across the breadth of the federal government. That's the bottom-line conclusion of the nonpartisan Center for Public Integrity's Broken Government project, an in-depth digital report that illuminates each breakdown with a separate story tracking its causes, effects and implications.

The project is a comprehensive assessment of executive branch failures over the course of the Bush presidency; the failures occurred in areas as diverse as education, energy, the environment, justice and security, the military and veterans affairs, health care, transportation, financial management, consumer and worker safety, and more. While some of these failures are, by now, depressingly familiar, many are less known but equally troubling.

Among the examples:

- a Food and Drug Administration unable to guarantee the safety of food or drugs
- a National Aeronautics and Space Administration inspector general who blocked multiple investigations
- a budget deficit that ballooned to \$455 billion for fiscal year 2008, and could reach \$1 trillion in fiscal year 2009
- an Environmental Protection Agency that ignored and underutilized its own office and task force on children's health
- a Securities and Exchange Commission that sat largely on the sidelines, allowing little-understood new financial instruments to undermine the pillars of the economy
- a Federal Labor Relations Board with neither a general counsel nor the quorum

needed to handle hundreds of complaints regarding unfair labor practices

- a terrorist detention system based at Guantanamo Bay, Cuba, whose legality has repeatedly been challenged by the courts

Many of the failures are rooted in recurring themes: agency appointees selected primarily for ideology and loyalty, rather than competence; agency heads who overruled staff experts and suppressed reports that did not coincide with administration philosophy; agency-industry collusion; a bedrock belief in the wisdom of deregulation; extensive private outsourcing of public functions; a general failure to exercise government's oversight responsibilities; and severely slashed budgets at understaffed agencies that often left them unable to execute basic administrative functions.

"The Center for Public Integrity has sought to compile a damage assessment of the past eight years as part of an accounting process for the American public," said Center Executive Director Bill Buzenberg. "The project also has important implications for a new administration and Congress as they seek to avoid these problems and improve the regulatory process."


The Center's Broken Government project features a searchable online list of the executive branch failures—with a story accompanying each one. The project involved a team of 13 reporters, researchers, and editors that sifted through

hundreds of inspectors general reports, Government Accountability Office assessments, congressional investigations, and news stories to document a comprehensive list of federal government failures across 15 categories. The team interviewed more than a hundred experts, congressional staffers, and leaders of government watchdog organizations, and sent e-mails to more than 4,800 federal government employees to solicit nominations for inclusion in this project. Some 250 failures were nominated for inclusion in the project, from which editors selected more than 125 for the Center's initial report—those that elicited bipartisan criticism, but also had a discernible impact on ordinary people.

The project's website is searchable by category, federal agency, and individual failure. The Center also invites the public to submit additional executive branch failure nominations, which may be added to the list. Another online feature: a Broken Government breakdown by the numbers.

Support for this and other Center projects is provided by Carnegie Corporation of New York, the Ford Foundation, the JEHT Foundation, the John D. and Catherine T. MacArthur Foundation, the Park Foundation, the Rockefeller Brothers Fund, and numerous other generous institutional and individual donors.

For more information visit [www.publicintegrity.org/investigations/broken\\_government/](http://www.publicintegrity.org/investigations/broken_government/)



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## Stop Putting Cart Before Horse

From HR METRICS, pg. 10

- What value does HR add to the organization (value)?

Although some metrics might be better than others for certain organizations, the point remains the same—organizations should use only those metrics that will have a positive impact on organizational effectiveness. The dashboard below illustrates how metrics can be used in effective decision-making.

In the case of capturing the percentage of applicants who are qualified, it is very likely that two very distinct results would be produced if the data were captured after a recruitment strategy was already developed, as opposed to using the data to develop a strategy. Using this data in the planning process would likely drive the organization toward a more effective strategy.

That is, if an organization were to capture the percentage of applicants who were qualified versus those that are not qualified before setting its Recruitment strategy, it could better identify: skills in which candidates are weak; the recruiting sources that are providing the most highly skilled candidates; reasons the best candidates are seeking to join the organization; and where geographically the best candidates come from. This is only a small indication of the benefits that can accrue from this approach.

In this example, using metrics to develop strategy would open the door for an organization to explore better ways to

recruit the best candidates. It would allow the organization to answer questions such as what kind of talent does it want?; where does it find that talent?; and what does it need to change about its recruiting techniques and strategies to identify different recruiting avenues?

Organizations have access to and are capturing a plethora of data. But with so much data available, the challenge is determining the right metrics for the organization. The key is to assess the value that the metric has on the effectiveness of the organization.

Though agencies, their processes, and procedures will continue to change, the demand for accountability will remain constant or increase. It will be crucial for leaders to incorporate metrics in the decision-making process as they map out the strategy for organizational success. Leaders must identify and actively use key human capital metrics that analyze, measure, and evaluate the value that HR products and services provide to the organization as part of the decision making process.

Finally, organizations must understand the knowledge that can be obtained from human capital data, and ultimately incorporate that knowledge into developing and monitoring an effective strategy that deliver results.

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